

Stonebridge, Rockefeller Close Deal For Metro's HQ, Plan To Add 3 Floors Of Office

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The Metro system has faced a difficult year with the coronavirus pandemic tanking ridership and forcing major budget cuts, but that isn't stopping it from moving forward with a deal to redevelop its headquarters.



The development team of Stonebridge (<https://www.bisnow.com/tags/stonebridge>) and Rockefeller Group (<https://www.bisnow.com/tags/rockefeller-group>) plans to announce Friday it closed a deal with Metro to redevelop the Jackson Graham Building in Chinatown (<https://www.bisnow.com/tags/chinatown>), *Bisnow* has learned.

The building, at 600 Fifth St. NW near the Gallery Place (<https://www.bisnow.com/tags/gallery-place>) and Judiciary Square Metro stations, has been the transit system's headquarters since 1974. Metro selected the team (<https://www.bisnow.com/washington->

dc/news/office/metro-selects-stonebridge-rockefeller-group-to-redevelop-chinatown-headquarters-site-102904) in February to redevelop the property after it moves to a new building at L'Enfant Plaza in 2022.

The deal is structured as a 99-year ground lease that will commence when Metro vacates the building, giving the transit system a long-term source of revenue by retaining ownership of the property.

Stonebridge and Rockefeller plan to launch a redevelopment of the property in 2023 that is expected to cost at least \$300M, Stonebridge principal Doug Firstenberg (<https://www.bisnow.com/tags/doug-firstenberg>) told *Bisnow* Thursday evening.

He said the team plans to add three new floors to the building totaling roughly 100K SF, and it will create about 15K SF of ground-floor retail. The additional floors will put the building in line with surrounding properties, so Firstenberg said it won't have to go through the District's zoning processes. But it will need to get approval from the Commission of Fine Arts (<https://www.bisnow.com/tags/commission-of-fine-arts>), he said.

Combined with the space Metro plans to vacate, the team will have about 400K SF of office and retail to lease ahead of a planned 2025 delivery.

The office market faces stagnant demand and record-high vacancy (<https://www.bisnow.com/washington-dc/news/office/dc-office-market-worsens-as-vacancy-hits-another-record-high-106175>) today, but Firstenberg said he is confident it will recover before they deliver the project. He said there are a significant number of tenants with expiring leases between 2024 and 2026 that could relocate to the redeveloped building.

"The way we look at it, really good-quality buildings that meet the needs going forward are going to be attractive to tenants," Firstenberg said. "We can offer people a really state-of-the-art building with all of the things people wanted pre-COVID, and all of the new things that Rockefeller and Stonebridge will have to add post-COVID."

Rockefeller Group Regional Development Officer Hilary Allard Goldfarb said the deal shows the New York-based real estate firm believes in the D.C. market's future. The company has invested (<https://www.bisnow.com/washington-dc/news/office/rockefeller-group-makes-2nd-dc-area-investment-96611>) in two additional office projects

(<https://www.bisnow.com/washington-dc/news/mixed-use/rockefeller-group-teams-up-with-meridian-group-to-build-tysons-boro-tower-77625>) in Tysons and Downtown D.C. over the last three years.

"Our collective commitment to the development of downtown office space today is a testament to our confidence in the long-term resilience of Washington, D.C.," Goldfarb said.



The deal wasn't easy to close given the challenges in the market this year, Firstenberg said. In addition to the normal complications of a ground-lease deal for a redevelopment, the building sits on top of the Red Line tunnel, requiring a complex construction management plan.

"This is a complicated transaction and in this environment, everything's hard," Firstenberg said. "Structuring a deal and then documenting a deal is hard. You don't have meetings, you have to do everything on Zoom. It keeps things moving, but it's not the most efficient way to get things done."

Firstenberg said he was impressed by Metro's engagement in the process for the long-term redevelopment deal even as it faces massive short-term financial challenges. The transit system faces a \$495M budget shortfall caused by the pandemic, and it will require
(<https://www.bisnow.com/washington-dc/news/economy/wmata->

proposes-to-eliminate-weekend-service-close-19-metro-stations-amid-budget-shortfall-106918) extensive service cuts next year if it doesn't receive a federal bailout.

"They've got a lot going on, and their ability to stay focused when we needed them to, and get things done that we needed to get done as we were prepared to commit millions of dollars to get the design going, I'm impressed they were able to do that in the current environment," Firstenberg said.

"It's a lot easier for Stonebridge and Rockefeller to look out to where the world will be in four years and see what we're building and stay committed to that vision," Firstenberg added. "While for WMATA this is a key part of their long-term strategic plan, to stay focused on that and continue to dedicate resources to getting that done, we're very appreciative of that."

The redevelopment is part of Metro's larger consolidation plans that the system says will save it \$130M over the next 20 years.

The plan also involves Metro departing several leased office buildings and constructing a new headquarters (<https://www.bisnow.com/washington-dc/news/office/wmata-moving-headquarters-to-lenfant-plaza-94455>) at L'Enfant Plaza and new (<https://www.bisnow.com/washington-dc/news/office/wmata-pitches-300k-sf-office-building-in-alexandria-98537>) regional offices (<https://www.bisnow.com/washington-dc/news/office/metro-plans-new-office-building-at-urban-atlantics-new-carrollton-development-98679>) in Alexandria and New Carrollton. It retained JLL (<https://www.bisnow.com/washington-dc/news/office/wmata-retains-jll-to-consolidate-offices-potentially-sell-hq-77815>) in 2017 to plan the consolidation.

"Over the short term, the agreement affords Metro the opportunity to occupy the building through 2022, while implementing our office space consolidation plan and headquarters relocation," Metro Vice President of Real Estate Nina Albert said in a statement. "Long-term, this allows Metro to generate sustained revenue from the site to support transit operations and contribute to the agency's financial stability."

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